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TAGS: [PGOV](#) [PREL](#) [CASC](#) [PINR](#) [IR](#) [IZ](#)
SUBJECT: KARBALA OFFICIALS SEEK TO BALANCE FOREIGN
INVESTMENT

Classified By: Senior Advisor Gordon Gray for reasons 1.4 (b) and (d).

Summary

¶1. (C) During a November 2-3 visit to Karbala, Senior Advisor Gordon Gray discussed investment in the province with several local leaders, including Governor Aqeel Mahmoud Kareem al-Khazali (Da'wa), three members of the Karbala Provincial Council (PC), and Restaurant and Hotel Association President Mohammed al-Hir. The Governor and the PC representatives expressed somewhat differing views on the extent of Iranian influence in the investment sphere, but all agreed on the need to provide international alternatives both to Iranian investment and Iranian imports. They identified investment opportunities in the housing, tourism, and energy sectors. One of the members made a renewed pitch for Embassy facilitation of a proposed Karbala airport project. End summary.

Too Much Iranian Investment?

¶2. (C) Governor Aqeel said that concerns that Iran was buying up all the land in the Old City and dominating the market for retail products were overstated. Al-Hir, who emphasized his differences with the Governor on other issues, agreed with Aqeel on these points. The Governor emphasized that Iranian investment in Karbala is mostly done on a small scale, focusing on houses and restaurants rather than industrial projects. Aqeel said Karbala also purchased many Turkish, Kuwaiti, and Saudi products and said 70 percent of food imports came from Syria. PC member Kadhum Jawad Nour al-Safi of the Independent Party told Gray that Iranian goods and capital exert a disproportionate influence in Karbala. "We eat Iranian food for breakfast, lunch, and dinner," he said. Kadhum claimed that "30 percent of Iraqi land is desert" because the agricultural sector had been displaced by Iranian competition. He said Iran had relatively loose border controls, making it easier for Iraqis to shop in Iran and for Iranian goods to pour into Karbala. Iraq's Arab neighbors, on the other hand, required visas and have export controls. Kadhum did not advocate tightening the border with Iran, but said "we need products from other countries."

Investment Opportunities

¶3. (C) The Governor said housing, tourism, and agriculture were investment priorities. Sheikh Falah Hussein Atiyah, a PC member from the Fadhilah Party, said Karbala's Private Investment Commission (PIC) also is promoting foreign investment opportunities in the housing sector (50,000 units needed), tourism (there are no five-star hotels despite millions of Shi'a pilgrims annually from around the world to Karbala), and the energy sector (specifically, a new

electrical station).

Karbala Airport Project

¶4. (C) The Governor said he hoped to launch the Karbala International Airport. PC Member Mohsen al-Kenani of the Independent Party asked for Embassy support in facilitating the construction of the airport, a proposal first made in ¶2005. Gray said he would refer the request to the Transportation Attach for review but noted the number of nearby airports. The PRT Senior Governance Advisor added that the PRT already had facilitated a meeting between provincial officials, GOI officials, and Embassy representatives on the airport project.
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